



**Subject: Explanation on the operation of AD Makedonski Telekomunikacii  
- Skopje for the period from 01.07.2007 until 30.09.2007**

AD Makedonski Telekomunikacii – Skopje is the largest company which provides services in the field of fixed telephony in Macedonia. The telecommunication sector in Macedonia has been regulated by the implementation of the new Law on Electronic Communications which was adopted in March 2005. AD Makedonski Telekomunikacii - Skopje has a Concession Contract on the basis of which the foregoing services may be provided until 31 December 2018. As of 2007, the fixed telephony market is being liberalized in practice.

In the course of the third quarter of the year 2007, the net income increased as compared to the same period in the previous year as a result of the increase of the revenue growth driven by mobile telephony, which is a result of the continuous increase of the number of subscribers. The revenues generated by the fixed telecommunication services mark a slight decrease as compared to the same period of the previous year. The Internet revenues still mark a continuous growth as a result of the continuation of the trend of significant increase of the number of ADSL Internet users.

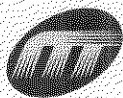
As regards the costs, there is a growth in the costs for the procurement of trade goods which are in accordance with the increased sales of telecommunication equipment and a decrease of the depreciation costs as compared to the same period of the previous year.

As announced earlier, Magyar Telekom, which owns 51.00% of AD Makedonski Telekomunikacii - Skopje (the Company) through Stonebridge Communications A.D. Skopje under liquidation, is still investigating possible violations of the Group's policy or the applicable laws and regulations, which investigation includes the Company. This inquiry, which is being conducted by an independent law firm and supervised by the Audit Committee of Magyar Telekom is still ongoing. As a result of the investigation, the IFRS Consolidated Financial Statements for 2005 and 2006 have not been audited yet. No assurance can be given that as a result of the investigation the IFRS Consolidated Financial statements for 2005 and 2006 and the financial statements or financial information referring to any other period, including any period of 2007, will not vary from those submitted and published prior to the completion of the investigation and the audit of such financial statements and data.



  
Nikolai Beckers  
Chief Executive Officer

DasTel: Certified translation and proofreading

CONSOLIDATED INCOME STATEMENT ACCORDING TO  
INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)AD Makedonski Telekomunikacii - Skopje  
ID 5168660

(in thousands of MKD)

Position	01.07- 30.09.2007	01.07- 30.09.2006
Sales revenues	4,665,448	4,513,745
Other operating revenues	122,760	144,291
Movement in inventories		
Capitalized own work and products	-	8,778
Materials, spare parts and office supplies	(21,366)	(27,786)
Employee expenses	(386,219)	(384,353)
Depreciation and revaluation (indexation) of depreciation	(787,002)	(899,143)
Other operating expenses	(1,441,645)	(1,367,734)
Cost of goods sold	(269,546)	(174,619)
<b>Profit/loss from operations</b>	<b>1,882,430</b>	<b>1,813,179</b>
Financial income	148,940	142,563
Financial expenses	(6,558)	(12,168)
<b>Profit/loss from operating activities before tax</b>	<b>2,024,812</b>	<b>1,943,574</b>
Income tax expense	(253,103)	(255,421)
<b>Profit/loss after tax</b>	<b>1,771,709</b>	<b>1,688,153</b>
Minority interest		
<b>Net profit/loss from operating activities</b>	<b>1,771,709</b>	<b>1,688,153</b>
Extraordinary income		
Extraordinary expenses		
<b>Net profit/loss</b>	<b>1,771,709</b>	<b>1,688,153</b>

  
Nikolai Beekers  
Chief Executive Officer